

COLORADO DEPARTMENT OF REVENUE

PERFORMANCE PAY SYSTEM PLAN

March 30, 2001

Revised November 2001

This document is the Department of Revenue's Plan for implementing the State Personnel Director's Performance Pay System. The Plan complies with rules and procedures issued by the State Personnel Director regarding performance based pay in the State Personnel System. Policy decisions regarding implementation of the Performance Pay System within the DOR are made by the Executive Council. The Executive Council is responsible for providing the leadership and support necessary for successful implementation of this program. Council members include:

Fred Fisher, Executive Director
John Vecchiarelli, Tax Group Director
Aurora Ruiz-Hernandez, Motor Vehicle Group Director
George Turner, Enforcement Group Director
Dave Deluhery, Chief Information Officer
Gary Krueger, Director of Policy, and Financial Services
Neil Peters, Human Resource Manager

The contents of the DOR Plan will be disseminated to all Department of Revenue employees through the department newspaper *Revenews*, mandatory supervisor training, informational meetings, new employee orientation, the Human Resource home page on the DOR Intranet and other means.

The DOR Executive Council will continuously monitor the operation of Revenue's Performance Pay System (PPS) Plan. A complete review of first year implementation will be made in June 2002.

The philosophy underlying the Revenue Department Plan is that employee monetary awards should be based on the performance of the employee as measured in an annual performance evaluation. We are committed to utilizing the new evaluation and award process to provide appropriate incentives feedback and monetary awards to all DOR employees. This, in turn, will have a positive impact on the service that we provide to all of our many customers and clients. The plan will be revised periodically in order to ensure that employees within the department are being evaluated and rewarded in the best manner possible.

Plan details are listed below and follow closely the outline issued by the State Personnel Department

Performance Evaluation Important Dates	
Date	Activity
By June 1	Performance plans developed
November/December	Mid-year reviews conducted
May 1- 15	Pre-evaluation meetings with supervisors and employees. Supervisors (Raters) complete recommended evaluations
By May 18	Recommended evaluations sent to appropriate reviewers
By May 25	Evaluations reviewed and returned to raters
By June 1	Raters and employees discuss and sign final evaluation
By July 1	Amount of awards determined, employees apprised of award
July 31	Awards paid on July pay check

Performance management

- Performance Management refers to the process of insuring that performance plans for every employee support the goals of the work unit, division and the Department of Revenue. This is accomplished by linking individual plans and evaluations to the stated mission and goals of the organization.
- Statewide uniform core competencies defined by the State Personnel Director will be incorporated into every employee's performance plan and considered as a part of every employee's evaluation.
- Performance will be rated on four levels with the first level indicating unsatisfactory performance and Level 4 indicating outstanding performance.
- Employee performance plans will align with Department of Revenue goals and objectives.
- A level 1 rating denoting unsatisfactory performance will result in a performance improvement plan or a corrective action.
- All employees will be evaluated, in writing, at least annually based on their job performance during the previous year. In the case of a transfer or employee separation that occurs prior to the end of the performance evaluation cycle the former immediate supervisor must prepare a written evaluation of the employee's performance within 30 days of separation. The annual performance evaluation period in the DOR is May 1 through April 30.
- If a supervisor fails to plan and/or evaluate an employee's job performance a reviewer is responsible for completing the plan and/or evaluation. If the reviewer fails to plan and/or evaluate in a timely manner, the reviewer's supervisor is responsible for completing the plan and/or evaluation and on up

the chain of command until the plan and/or rating is completed as required by law. If an evaluation is not completed for an employee, the employee's performance will be considered to be Satisfactory for the relevant period.

- The Executive Council will review the quality of the department's program, which will lead to more accurate and consistent ratings and awards across the many supervisors within the Department of Revenue.
- A planning session between the supervisor and employee must occur within 30 days of the beginning of the performance evaluation period or within 30 days after appointment of a new employee. The Department of Revenue performance cycle begins in May and ends the following April. Performance plans are to be approved by the second-level supervisor (the reviewer) before the plan is finalized and presented to the employee. Supervisors are to ensure that each subordinate employee understands the plan and what is expected of his/her performance.
- Coaching and feedback during the performance year are required, including at least one mandatory and documented mid-year progress review.
- Quotas or forced distribution processes for determining the number of ratings in any of the four performance levels shall not be established.
- Information, as required by the State Personnel Director, will be reported by specified deadlines.
- At a minimum, a higher level supervisor/manager must review the supervisor's evaluation of the employee's performance. The evaluation is not final until reviewed by the designated person or panel. The persons to be involved in the review will be determined by DOR division directors. The appointing authority or designee will review all level 1 (Unsatisfactory) and level 4 (Outstanding) evaluations. Level 4 evaluations will be accompanied by a narrative justification.
- A performance evaluation form has been developed for use by all Department of Revenue employees.
- Performance ratings will be qualitative (non-numeric) throughout the department. Qualitative ratings will utilize the four established rating levels.
 - Level 1 Unsatisfactory
 - Level 2 Satisfactory
 - Level 3 Above Standard
 - Level 4 Outstanding
- Multi-source assessment processes, such as 360-degree evaluations, or peer reviews, where feasible, will be considered for evaluating employees.

- A detailed training plan for supervisors and employees was developed and Department of Revenue employees received four hours of training covering the basics of the new Performance Pay System including this departmental policy.
- Performance management training will be mandatory for all supervisors 2001.
- All supervisors will have a provision or "factor" in their own performance plans to evaluate the effectiveness of their performance management, including planning and performance evaluation of employees.
- Sanctions for failure to plan or evaluate will be imposed. Absent extraordinary circumstances, the responsible supervisor will be given a corrective action and no more than 30 days to complete the plans or evaluations. Absent extraordinary circumstances failure to complete the corrective action within the time period will result in a pre-disciplinary meeting and a disciplinary action of a one-week suspension without pay or equivalent disciplinary action. A supervisor who fails to complete performance plans or evaluations will be ineligible for any monetary award under the Performance Pay System.

Performance-based pay

- Performance base building and non-base building awards will be driven by the evaluations completed by raters and reviewers and will be within system boundaries. All employees within a given rating level will be awarded the same percentage award. However, base building awards when added to the employee's base pay, may not exceed the pay range maximum in the new (PPS) pay plan.
- The annual total compensation survey will continue to be conducted according to statute as a process separate and apart from Performance Pay System awards.
- The pay range maximum is the upper limit on base salary.
- Although the performance pay system allows the payment of non-base building performance awards, during the 2001/2002 fiscal year DOR employees who are eligible for a base building award will receive the award as a base building award. If a base building award for a level 2 or 3 performer will cause his salary to exceed the range maximum, the employee will receive a reduced award that, when added to base salary, will equal the range maximum.

The only non-base building awards paid in 2001/2002 will be those paid to level 4 performers who are at the range maximum. When a level 4 performer who is below the range maximum is granted a base building award that will exceed the range maximum, a base building award will be given that brings the salary to the range maximum. The balance of the award will be paid as a non-base building award.

- Annual base and non-base building performance awards will be a percentage of base salary, effective on the statewide common date of July 1.
- All awards are subject to available funding and no award will be guaranteed.

Award Eligibility

- ❑ Level 1 performers are not eligible for a performance award.
- ❑ For those below the pay range maximum, the award amount will be those listed below:

For Employees Below Pay Range Maximum	
Performance Level	Performance Award
Level 1	0%
Level 2	X% may not <i>exceed pay range maximum</i>
Level 3	Y% may not exceed pay range maximum
Level 4	Z% only non-base building awards may exceed the pay range maximum

Awards for employees at or above the pay range maximum are as shown below.

For Employees at or Above the Pay Range Maximum	
Performance Level	Performance Award
Level 1	0%
Level 2	0%
Level 3	0%
Level 4	Z% Non-base building

- ❑ Any combination of base building and non-base building awards may not exceed the percentage increase approved for the employee.
- ❑ Payment of awards for those at the maximum of their pay range is limited to non-base building awards for employees rated at performance level 4.

Establishing Award Amounts

- ❑ The State Personnel Director will recommend and publish on December 1 the Total Compensation Survey that will include the maximum awardable percentage for application statewide.
- ❑ The award percentages for each rating level will be calculated only after the actual distribution of ratings is known. No employee may receive a base building award that will cause his base pay to exceed the pay range maximum. Within this limitation the basic structure of awards will be as

follows:	<u>Rating Level</u>	<u>Award Amount</u>
	Level 1 Unsatisfactory	Zero
	Level 2 Satisfactory	Greater than zero
	Level 3 Above Standard	Greater than the amount for Level 2
	Level 4 Outstanding	Greater than the amount for Level 3

The maximum award for Level 4 will be the maximum percentage set annually by the State Personnel Director. Within the Department of Revenue the award for each level will be a specified percentage of salary. The decision as to the amount of awards will not be made until all performance evaluations have been finalized. The total amount of monetary awards may not exceed the appropriation for Performance Pay System awards.

- Regardless of performance level, an employee cannot be granted a monetary award, or combination of awards, greater than the established performance award maximum. For level 4 performers this will be the amount set by the State Personnel Director or the amount set by the Department of Revenue Executive Council.
- Effort shall be focused on training and communication to encourage use of the variety of non-salary and monetary incentives currently available in the state personnel system to supplement salary-based performance awards.
- Teamwork can be measured as a component of an individual's performance plan and awards (base and non-base) proportioned accordingly.
- The Senior Executive Council will determine how to allocate funds among divisions and oversee the quality of the performance pay program within their Group.
- During the first year of implementation, in order to move all employees from an anniversary date to a July 1 date for the payment of all awards, the Department of Revenue will annualize the performance awards. This will be accomplished according to the process described in the State Personnel Director's PPS Plan, or according to an alternative plan approved by the State Personnel Director.
- Awards for employees employed within the Department of Revenue/State Personnel System for less than the full rating cycle will be pro-rated. The Award annual amount will be calculated by multiplying the monthly award for which the employee is eligible by the number of months during the DOR evaluation period that the individual was employed. Any portion of the first month will count as a full month.

Examples:

An individual is appointed on July 1 and works the balance of the rating period:

Monthly award amount: \$57,
Multiplied by the number of months from the date of hire through the end of the rating period: (July through April) $57 \times 10 = \$570$,
Divided by 12: $\$570 \text{ divided by } 12 = \47.50 rounded to \$48 (This amount is added to base pay).

An employee is hired on September 10 and works the balance of the rating period:

Monthly award amount: \$120,
Multiplied by the number of months from the date of hire through the end of the rating period: (September through April) $120 \times 7 = \$840$,
The addition to monthly base pay is calculated by dividing by 12: $\$840 \text{ divided by } 12 = \70 .

In order to receive a base building or non-base building award the individual must be employed on July 1, the date that PPS awards become payable. An individual who is granted a non-base award then leaves the department after July 1 is entitled to the award payment.

Dispute resolution

- The Performance Pay System dispute resolution process differs from the grievance procedure and the appeal process that pertain to other matters. The PPS dispute resolution system will have two parts—1) Resolution within the Department of Revenue and 2) Resolution of unresolved issues by the Department of Personnel (DOP). Informal resolution of disputes at the lowest level shall be encouraged.
- The dispute resolution process must be open and impartial and must allow the parties an opportunity to have issues heard.
- Employees will be informed of their right to dispute a performance plan, a final performance evaluation or lack of an evaluation, and an allegation that the Department of Revenue did not follow its own PPS Plan. Following efforts by the employee and immediate supervisor to resolve differences, an employee will have five (5) work days from the day that the employee has knowledge of the content of the performance plan or the performance evaluation results to file a notice of dispute with the appointing authority. The notice of dispute must be in writing and must state:
 - 1. Why the employee disputes the plan/evaluation,
 - 2. Specific facts that bolster the employee's point of view,

- ❑ 3. The remedy requested by the employee.

Dispute Resolution Process	Time Frame
1. Employee and supervisor attempt to resolve dispute	ASAP
2. If the dispute is unresolved, the employee files a written notice of dispute with the appointing authority	Within 5 workdays of end of step 1
3. Appointing authority determines who will consider dispute	
4. Meeting (if necessary) conducted	Within 10 workdays of receipt of notice of dispute
5. Written decision to employee	5 workdays of meeting

The appointing authority may address the dispute personally or may delegate this to a dispute resolution committee. Within five (5) workdays of receipt of the notice of dispute the appointing authority or committee will decide whether it will be necessary to meet with the employee or whether the dispute can be resolved without a meeting. If a meeting is necessary it will be conducted within ten (10) workdays of receipt of the notice of dispute or at the earliest time mutually acceptable to the employee and appointing authority or committee.

The employee will be apprised in writing within five (5) workdays after the meeting of the result.

- Employees may only dispute the following issues:
 - ❑ their own performance plan, (or lack of a plan),
 - ❑ their own final performance evaluation, (or lack of an evaluation);
 - ❑ application of the Department of Revenue’s performance pay program, policies or processes, to the individual employee’s plan and/or evaluation.
 - ❑ Full payment of an award.
- The following issues are not disputable:
 - ❑ the content of the department’s performance pay program
 - ❑ matters related to the funds appropriated,
 - ❑ the performance evaluations and awards of other employees,

- ❑ The amount of a performance award, including whether it is base or non-base building, any combination or none (if relevant to new pay plan), unless the issue involves the application of the agency's performance pay program.
- Department of Revenue appointing authorities shall be the decision-makers in the internal dispute resolution process. Senior Directors or the Executive Director shall be the decision-makers on disputes of an appointing authority's rating of a direct report. Appointing authorities may delegate the authority. The delegation must be in writing and publicized in advance. All employees must be notified of the authorized decision-maker for their disputes.
- Decision-makers are limited to addressing facts surrounding the current action and shall not substitute their judgment for that of the rater and reviewer, but may instruct raters to
 - ❑ follow the Department of Revenues' plan
 - ❑ correct errors,
 - ❑ reconsider a performance rating plan,
 - ❑ suggest other appropriate processes such as mediation. Decision-makers cannot render a decision that would alter the Department of Revenues' performance pay program.
- A description of the internal dispute resolution process including timeliness and name or position of the appointment authority shall be communicated to employees annually.
- Final resolution of issues concerning the individual's performance plan (or lack of plan) and the individual's final performance evaluation (or lack of evaluation) shall occur at the internal level. Employees will have no further recourse for resolution of these disputes.
- Disputes concerning application of the Department of Revenue's performance pay program, policies or processes to the individual employee's performance plan and/or evaluation, or full payment of a reward (if relevant) may proceed beyond the department to the Director of the Department of Personnel (external process) after completion of the internal process.
- Employees must be given written notice that they may, after completion of the internal process, submit a written request to the Director (external process) provided it concerns the application of the department's performance pay program or full payment of a reward. Notice shall include deadlines for filing; a list of what must be included in the request, and the address for filing.
- The employee must make the request to the State Personnel Director within five working days of the Department of Revenue's final decision and must include copies of the original issues and the final decision.

- Only issues originally presented in writing shall be considered throughout the dispute resolution process.
- No party has an absolute right to legal representation, but may have an advisor present. The parties are expected to represent and speak for themselves. The definition of an advisor shall be included in the Director's Procedures.
- Retaliation against any person involved in the dispute resolution process is prohibited.

Training Plan for the Performance Pay System

Department of Revenue supervisors must attend a PPS training session that covers the following subjects:

- An overview of the main features of the Performance Pay System;
 - Requirement for a plan, mid-year review and final evaluation
 - New rating levels
 - Core competencies
 - Quantitative versus qualitative ratings
 - Base building and non-base building awards
 - July 1 effective date
 - No quotas or forced distribution

- A contrast of PPS with the Colorado Peak Performance Plan;
- How to complete the new Department of Revenue evaluation form;

The planning process

- An explanation of the Core Competencies and how to incorporate them
- An explanation of performance factors and individual performance objectives
- How to write performance objectives
- Weighting of factors
- How to effectively include employees in the process
- The Department mission and objectives-the line of sight

Mid-year review

- The important things to cover
- On course or correction needed?
- Revising the plan

Annual Evaluation

- Pre-evaluation conference
- Preparing the recommended evaluation
- The review process

- The review process for Unsatisfactory and Outstanding evaluations
- Communicating the final evaluation to subordinate employees

Dispute Resolution

- Steps and deadlines
- Contrasting appeals/grievances/PPS dispute resolution
- What is open to dispute
- What is not open to dispute
- Internal vs. external process

Establishing Awards

- Awards based on performance
- Awards equal for everyone at a rating level
- All awards below range maximum are base building
- Awards for level 4 performers non-base building

Performance Pay System Plan March 30, 2001, revised October 10, 2001.